

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 796 - SB 1877

March 10, 2011

SUMMARY OF BILL: Modifies the Hope Scholarship program including definition of terms related to summer school semesters, authorization for part-time students to receive partial awards based on the number of semester hours attempted, authorization for students who have received the Hope Scholarship for more than nine but less than 10 full-time equivalent semesters to be awarded a Hope Scholarship as part-time students, and authorization for students to receive a Hope Scholarship for any semester, including summer semesters.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$22,680,800/FY11-12/Lottery for Education Account
\$20,185,900/FY12-13/Lottery for Education Account
\$13,120,800/FY13-14/Lottery for Education Account
\$7,347,700/FY14-15/Lottery for Education Account
\$3,453,400/FY15-16 and Subsequent Years/
Lottery for Education Account**

Assumptions:

- Under current law, Hope Scholarship recipients receive no award for attending summer classes. Under this bill, these recipients will receive scholarship awards if six semester hours are attempted during summer semesters.
- According to the Tennessee Student Assistance Corporation (TSAC), there were 61,308 Hope Scholarship recipients enrolled for the spring semester of 2010. This number is assumed to remain constant.
- TSAC estimates that 40 percent of all Hope Scholarship recipients enrolled for spring semesters (24,523) will enroll for summer semester classes. Of these summer enrollees, TSAC estimates that 21,935 will meet the six-credit-hour minimum to qualify for a summer semester Hope award.
- Based on data provided by TSAC, the weighted-average summer semester scholarship award is estimated to be \$1,034. This estimated weighted-average award takes into account reduced awards for Hope recipients attending two-year institutions, as well as Hope recipients who earn supplemental awards such as the General Assembly Merit Scholarship.
- The increase in expenditures from the Lottery for Education Account (LFEA) will be \$22,680,790 (21,935 x \$1,034) in FY11-12.

- Student behavior is expected to change following enactment of this bill; students will attempt summer semester hours in the formative years due to summer awards and in order to complete degree requirements within the proposed four-year terminating event. As a result, scholarships that will be awarded in latter years (under current law) will be awarded sooner to those students electing to take summer semester courses, thus shifting expenditures to earlier years.
- This change in student behavior will lessen in subsequent years as students become acclimated with the new requirements. As a result, and based on TSAC data, the first-year estimated impact is expected to decrease by approximately 11 percent in FY12-13, by another 35 percent in FY13-14, by another 44 percent in FY14-15, and by 53 percent in FY15-16. Therefore, the increases in state expenditures from the LFEA will be \$20,185,903, \$13,120,837, \$7,347,669, and \$3,453,404 for FY12-13, FY13-14, FY14-15, and FY15-16 respectively.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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